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Editorial: Bankruptcy no option

It was a month before the 2008 election and the economy was exceptionally fragile as the Great Recession roared to life. The first full week of October 2008 saw the largest-ever one-week drop in the Dow Jones Industrial Average, losing almost 20 percent of its value in just a few days. The previous month, Lehman Brothers, Fannie Mae, Freddie Mac and AIG all required federal intervention to stave off complete collapse.

So when Republican President George W. Bush signed the Troubled Asset Relief Program Oct. 3, 2008, it was clear any president, no matter the party, would have done the same. This legislation included more than \$18 billion for General Motors and Chrysler to keep the American automotive industry from effectively ending.

The specter of this bailout of a core element of the U.S. economy has once again raised its head in the Senate race between Democrat Evan Bayh and Republican Todd Young. Bayh and his allies have made hay over Young's opposition of the bailouts. This is an extremely valid point of contention, especially here in Kokomo.

According to a Dec. 8, 2008 report by Gary Burtless, senior fellow of economic studies at the Brookings Institution think tank, allowing two of the so-called Big Three automakers to fail would have been catastrophic.

“In November 2008 about 830,000 U.S. workers were employed in auto assembly plants and businesses involved with supplying parts for new cars and trucks,” according to Burtless. “In addition to the workers engaged in making cars, more than a million U.S. workers are employed in new car dealerships and in the distribution of new cars and trucks. ... In total, over 2 million people hold jobs that are directly linked to the production, distribution, and sale of new cars and trucks.”

This means that if the production of these cars and trucks were to cease, they wouldn't just end the careers of nearly a million autoworkers. It would spread much farther and much faster than anyone could predict. Outside contractors who supplied parts would have folded, as would have many auto dealers. And, let's not forget the secondary businesses that survive in and around the towns where these plants are located. This would have given a root canal to the local economies of many industrial Midwestern cities, like Kokomo, the likes of which had never been seen.

We feel this issue much deeper in Howard County than others might, mostly because we have no other choice. Letting the auto industry fail wouldn't have been an abstract thought experiment. It would have been the end of everything.

